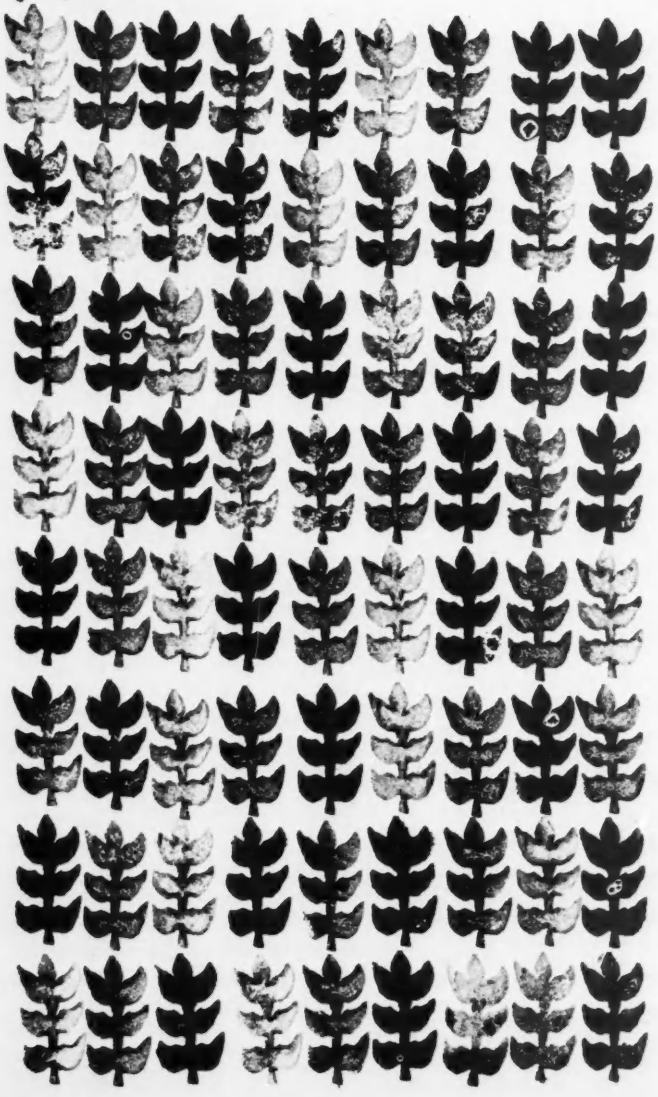
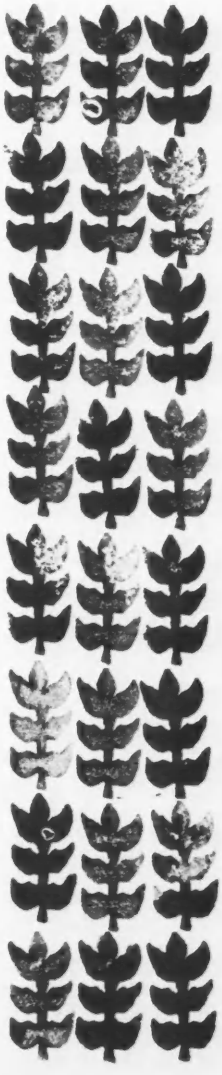
THE FARM INDEX
U.S. Department of Agriculture / June 1974

Custom harvest on the Great Plains





Outlook

Consumers can take heart that most of the increases in retail food prices for this year are probably behind us.

During January-March, food prices averaged a sharp 4½ percent over fourth quarter 1973.

During July-September, grocery store prices will probably hold near the second quarter level, while the fourth quarter average may even drop back some. Nonetheless, food prices for all of 1974 are expected to average 12 percent over the 1973 average.

Consumers upped their rate of food spending some $5 billion to $150 billion (seasonally adjusted annual rate) during January-March 1974. Most of the gain went for food eaten at home, with spending on restaurant meals rising only fractionally.

Since food spending advanced more rapidly than disposable personal income, the average share of income going for food rose from 15.8 percent in fourth quarter 1973 to 16.1 percent in first quarter 1974.

At the farm level, prices are expected to dip this fall, a result of an easing foreign and domestic demand along with increased supplies of several major food commodities.

However, all of the decrease in farm prices may not be reflected at the retail level because of rising marketing costs. There's uncertainty in food marketing firms about the impact of the lifting of price controls and restraints on profit margins, as well as uncertainty as to the magnitude of possible cost increases for labor, energy, transportation, and other items purchased by these firms.

For the year, the annual increase in farm-retail spreads may be more than double the 1973 increase of 6.5 percent. Over the past decade, the average annual increase has been about 3 percent.

Dairymen can expect a rise in gross earnings again this year. Despite smaller milk marketings, higher prices should push 1974 dairy cash receipts to around $9½ billion compared with $8.1 billion last year.

Milk prices to farmers dropped seasonally in May and further declines are likely in June, following lower wholesale prices of most dairy products. Milk prices to farmers in May averaged $8.56 per 100 pounds–down about 30 cents from April, but 34 percent higher than May of last year.

With farmers' intentions to boost crop production pointing to larger supplies and a further lowering of feed prices for dairy farmers in the fall, the milk-feed price relationship should improve and could cause milk output per cow to resume its long uptrend this year.

However, milk production for 1974 will probably be down due to a further decline in milk cow numbers.

Soybean supplies in the coming 1974/75 marketing season may top all records. Due to wet spring weather, more acreage has probably been planted to soybeans than was indicated by March planting intentions. Supplies in 1974/75 could reach a record 1.7 billion bushels—compared with 1.627 billion in 1973/74.

Total use, however, may fall a little shy of production. As a result, the carryover on September 1, 1975 may total a little above 200 million bushels or up slightly from that now estimated for this coming September.

On soybean prices this summer, they will be highly sensitive to new crop developments. Expect "sharp fluctuations," ERS says, if conditions are anything less than favorable. For the 1973 crop the farm price is estimated at $5.57 a bushel. That's an alltime high and $1.20 more than last season.

Both soybean crushings and exports are headed for new records in the 1973/74 crop year . . . crushings up a tenth to 800 million bushels and exports up almost 15 percent to 550 million. Good demand for meal and oil will provide the lift in exports. But total soybean use in the current crop year—at 1.4 billion bushels—won't come up to the large 1973 output, and carryover stocks on September 1 will increase to an estimated 190 million bushels—about 3 times last September's level.

Soybean oil prices are seen relatively high this summer due to continued tightness in the world and U.S. situation for edible fats and oils. Soybean meal prices will probably stay close to current levels—the lowest in about 2 years—although this could change depending on how the new crop develops.

U.S. farm exports in the coming fiscal year are expected to drop a few notches to $17–$19 billion from this year's estimated $21 billion. Explanation: prospect of lower prices for U.S. farm products in 1974/75; slacker demand abroad; and bigger world crops to ease the tight food and feed situation overseas.

Prices received by the Nation's egg and poultry producers have tumbled below production and processing costs. Producers are responding to the loss situation by cutting back on broiler and turkey production and holding the Nation's egg laying flock near last year's low levels.

Despite cutbacks, normal seasonal price increases in coming months are expected to be dampened by large supplies of high protein foods. Beef and pork production for the balance of 1974 are seen higher than during sec-

Cigarette Surge

Business remains brisk at the tobacco counter, as smokers continue to push up demand.

For the year ending June 30, 1974, American consumers upped their cigarette consumption to an estimated 600 billion. Further gains are expected during July–December.

Tobacco firms turned out some 645 billion cigarettes—roughly 43 billion for export—during 1973/74. Over the 10-month period ended last April, U.S. exports surged 13 percent as smokers around the world showed a growing preference for U.S. cigarettes.

In early May, cigarette makers raised prices on all major brands by 6½ percent to $11.30 per 1,000 regular and king size, and $11.80 for 100 millimeter sizes. Prices include the Federal excise tax of $4.00 and amount to an increase of 1.4 cents for a pack of 20 cigarettes.

ond half 1973. Too, cold storage stocks of both beef and pork on June 1 stood well above a year earlier.

Egg and poultry production may become more profitable as prices pick up seasonally and if 1974 feed crops prove as ample as expected. Nonetheless, production costs other than feed, as well as processing and marketing costs, will probably continue upward.

Egg production for the remainder of the year is expected to continue below year-earlier levels. While prices should strengthen this summer and fall, they'll probably remain below the high levels of second half 1973.

Broiler meat output during January-June rose 6 percent over a year earlier, but summer output will fall below last year's mark. Ample supplies of both poultry and red meats kept a lid on broiler prices during early 1974.

With turkey output during first half 1974 up more than a fourth from a year ago, marketings will prove larger into September, but then drop substantially. Record large storage stocks will translate into bigger turkey supplies during the main September-December marketing season.

U.S. cotton stocks are fast disappearing. August 1 carryover is now projected at about 3½ million bales, since export volume for the balance of 1973/74 will prove larger than earlier expected. Supplies, however, should generally hold out till the 1974 crop is ready.

There is now a great deal of uncertainty over 1974 crop prospects. Unusually dry weather on the Texas High Plains, coupled with an extremely wet spring in northern areas of the Delta, have restricted plantings and increased abandonment. Although harvested acreage will likely top last year's 12 million acres, yields will be hard pressed to match 1973's near record 519 pounds per harvested acre.

If manmade fiber supplies continue to fall shy of demand, mill consumption of cotton could expand slightly beyond 1973/74's estimated 7½ million bales. However, this prospect grows dimmer as evidence mounts that manmade fibers will be more plentiful later this year.

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BUT LAST NIGHT'S NEWS SAID...

Early this year, USDA said that food prices during 1973 averaged 14½ percent higher than in 1972.

The next day, the morning paper reported that prices in December 1973 were 20 percent above those in December 1972. And it stated that from November to December 1973, food prices advanced at an annual rate of 11 percent.

That evening, the paper reported that prices from November to December 1973 had climbed at a seasonally adjusted rate of 0.5 percent.

Which one is right? They all are. And they're all based on the same set of figures—the Consumer Price Index for food compiled by the Bureau of Labor Statistics.

Interest in food prices may never have been higher than during the past year or so. The average consumer encounters a barrage of reports comparing current prices with previous levels. But for many consumers, these various reports are confusing, if not contradictory.

It's about time. Letters and calls from consumers and consumer groups have made it clear that much of this confusion is about time . . . or more specifically, the various time spans that are used to gauge the ups and downs of food prices.

A variety of time spans is used in reporting food price changes. For example, reports frequently state how much food prices rose or fell from month to month, quarter to quarter, or from the first to the second half of the year. They may also tell how prices in these periods compared with prices in the same periods a year—or several years—before.

The Bureau of Labor Statistics collects food price data each month. Therefore, the month is really the basic time span for reporting changes.

Most often, price changes for 1 month are compared with those in the previous month, or with the same month a year earlier. For example, a news report may indicate

that food prices in December 1973 rose 0.9 percent over November 1973.

The report may also note that December prices were up 20.1 percent over December 1972. This figure, of course, is a simple comparison of the 2 months. It doesn't imply that food prices throughout the year were some 20 percent over 1972.

Seasonality. Few consumer prices are as affected by seasonal supply patterns as food prices. As a rule food prices hit their lowest levels in November and their highest in July and August.

Certain food prices show a lot more seasonality than others. For example, cereal and bakery product prices don't fluctuate much on a seasonal basis since grain is easily stored and stocks can be tapped about any time during the year.

But try buying a watermelon in December! Compared with the previous July, prices could be 5 times higher since the cost of importing the bulky perishable product would drive up retail prices tremendously.

To get around a problem like this, economists "seasonally adjust" food prices. They take an average of how much a representative group of foods normally varies from month to month and season to season. Any change beyond this normal fluctuation is a more real indication of the rise and fall of food prices.

Here's how it works: Food prices from November to December 1973 rose 0.9 percent. But prices *normally* climb 0.4 percent between these 2 months. Therefore, the seasonally adjusted rate of increase is 0.5 percent.

Using annual rates to report month-to-month price changes has also puzzled some consumers.

For example, the evening news says that food prices climbed 0.9 percent from November to December 1973. A news broadcast the following morning reports that during the same period, food prices advanced at an annual rate of 11.1 percent . . . or at a seasonally adjusted annual rate of 6.2 percent.

The annual figures mean simply that if prices climbed a steady 0.9 percent each month, they'd be up 11.1 percent in a year's time . . . or 6.2 percent if you allow for normal seasonal fluctuations.

These annual rates are figured somewhat like compound interest. That is, each month's increase is computed on the advanced price level of the previous month. Because of this cumulative effect, simply multiplying the monthly rate by 12 will not yield the accurate annual rate. This shortcut is sometimes taken, however. And if the monthly change is small enough, the results will approximate the compound annual rate.

Expressing month-to-month changes in annual rates is useful for emphasizing the magnitude of a certain price shift or for putting it in perspective. But because prices fluctuate so widely, these annual rates shouldn't be considered barometers of price trends for the entire year.

Wide fluctuations. For example, from July to August 1973, food prices surged at a seasonally adjusted annual rate of about 103 percent—an alarming prospect in terms of a whole year. But from September to October, prices dropped at a seasonally adjusted annual rate of 3.7 percent—good news for consumers but not realistic over the long run.

For this reason, government agencies seldom annualize monthly rates of change, but instead use longer periods such as 3 or 6 months to derive annual rates.

An important thing to remember is that not only are there numerous time spans for measuring food price changes, but there are several ways of reporting changes within one time period.

Take June to December 1973. Reports might say that food prices advanced. . .

√ 8.2 percent,

√ at a seasonally adjusted rate of 8.9 percent,

√ at an annual rate of 17.1 percent, or,

√ at a seasonally adjusted annual rate of 18.6 percent.

Each, in its own way, tells the same story.

Of all consumer prices, those for food are probably the most volatile. While prices for cars, stereo equipment, and other consumer goods tend to go up and stay there, food prices can rise and fall dramatically from month to month.

Averaging helps. One way of smoothing out some of these erratic dips and spurts is to *average* price changes over longer periods of time. Measuring price changes on a quarterly basis serves this purpose.

Quarterly price averages are usually compared with prices in the preceding quarter or with price levels during the same quarter a year earlier.

Food prices during the fourth quarter of 1973, for example, topped fourth quarter 1972 prices by 19½ percent. This figure compares the average for the last 3 months of the year with the quarterly average of the same period in 1972.

Much the same is done for the entire year. A report that food prices in 1973 were 14.5 percent over 1972 means that *average* prices for all 12 months of 1973 were 14.5 percent higher than *average* prices for all of 1972.

Because this figure's an average, it doesn't show that the gap in price levels between 1972 and 1973 was much smaller at the start of the year than at the end. Food prices in January 1973, for example, were only about 7 percent higher than the previous January, while December prices rose some 20 percent over December 1972.

This year, the reverse will probably happen. Food prices in the early months of 1974 were sharply higher than those in early 1973. But prices are expected to remain relatively steady through the summer and possibly decline some in the fall. Consequently, prices at the end of the year may exceed late 1973 levels by a relatively narrow margin. And food prices for all of 1974 are expected to average about 12 percent over last year.

[Based on special material by Larry V. Summers and Anthony E. Gallo, National Economic Analysis Division.]

PROCESSED VEGETABLE PRICES... WEATHER'S THE KEY

Extremely low carryover stocks and rising production costs mean higher prices for most canned vegetables this fall—but just how high prices will go depends largely on weather conditions.

Canned and frozen vegetables—last year's refuge from rapidly rising food prices—are facing a more uncertain price outlook this fall.

Only one thing is a reasonably sure bet—prices won't go down. But how far they will rise is anybody's guess right now.

The uncertainty hinges on the farmer's biggest "if"—the weather.

Extremely low stocks of most canned vegetables, the result of rising consumer demand and below-average yields in 1973, have prompted processors to contract for expanded acreage this year.

Growers have indicated they intend to up plantings by 7 percent this season. This would mean about a tenth more vegetable tonnage if yields are good.

But even with these projected increases in supply, ERS economists are expecting somewhat higher wholesale and retail prices because production costs for both farmers and processors shot up in the past year.

Also, about 5–10 percent more tonnage is needed this season just to rebuild processed vegetable stocks to normal levels.

Fall price hikes. And here's where the weather comes in. If bad weather significantly reduces crop yields, a sharp rise in prices could result due to the low level of canned vegetable stocks carried over from the 1973 packing season.

In this case, the processors' major customers—retail grocery chains and institutional buyers—would be anxious to replenish their dwindling supplies as quickly as possible, and processors could recover their increased costs more easily.

However, if this year's crop is bountiful and retail buying is slow, economists believe that processors will not be able to pass on the full amount of their rising costs.

The price pinch would be felt most this fall when the bulk of the 1974 crop hits the market. Until then, prices for the remainder of the 1973 supply are expected to continue to rise in small steps.

Tight canned supplies. Although processed vegetable stocks are the smallest in years, this is largely due to the extremely tight supply position of most canned items, which account for about 5% of the total processed vegetable supply.

These economically priced vegetables moved rapidly off grocery shelves last fall and winter as consumers attempted to balance teetering food budgets.

Tightening supplies have slackened the rate of disappearance in recent weeks, and processors do not have adequate stocks on hand to promote sales in the next few months. In some cases, orders from retailers are being rationed to stretch the processors' remaining stocks.

Supplies of canned vegetables may be tight, but they will not run out before fall, economists say. Some can sizes of some vegetables may be out of stock and fewer varieties may be available, but that's about the worst that is expected until the new crop comes in.

On the other hand, a more generous supply outlook has emerged for frozen vegetables. Stocks on April 1 were 25 percent larger than they were a year ago, and supplies are generally proving adequate for trade demand.

Costly acreage boost. Consequently, growers and processors are emphasizing acreage increases for canned vegetables this season. These increases, however, are not coming cheaply.

Contract prices to growers, sharply higher this year for all major processed vegetables, reflect higher fuel, seed, fertilizer, and other farm production costs.

Furthermore, farmers in the major vegetable processing areas have several attractive crop alternatives this year.

Record high wheat and dry bean prices have driven up the cost of processed vegetable acreage in the Pacific Northwest. In the Midwest, field corn and soybeans are competing for land that could be used for tomatoes, sweet corn, peas, and beans. And in California, cotton is looking good to many San Joaquin Valley vegetable farmers.

Higher contract prices are not the only significant feature of the processed vegetable outlook. The 1974 pack will cost more because of markedly higher charges for tinplate, paper and cardboard, energy, sugar, and transportation.

Potatoes Go Dry

More and more these days, America's favorite starchy tuber —the potato—is finding its way into our homes in dehydrated form.

Instant mashed potatoes and other dehydrated potato products account for more than 70 percent of all dehydrated vegetable tonnage, and per capita consumption of potato flakes on a fresh equivalent basis now amounts to a little over 12½ pounds annually—up from 5 pounds in 1960.

Although the volume of potatoes used for all types of processed products has outpaced fresh usage for every potato crop after 1970, last year saw sharply larger quantities of potatoes earmarked for dehydrated flake/granule processing.

While much of this increase went into instant mashed potatoes and similar foods, the introduction of new potato products has also been important. Some processors buy dehydrated potatoes from other processing firms, and then bake the mashed product into various shapes as snack foods.

That dehydrated potatoes have become big business is reflected in a preliminary Census of Manufactures report, which estimates total product shipments at 505.9 million pounds in 1972, a 64-percent gain from the 322.4 million pounds recorded 5 years earlier.

Also, the plant expansion now underway in the potato processing industry is going chiefly to flake/granule operations. By 1975/76, the rated capacity of potato processors is expected to rise 50 percent from 1972/73.

Tinplate scarce. Tinplate for making cans is particularly scarce, processors say, and some industry officials have speculated that there might be temporary localized shortages if the eagerly awaited bumper crops materialize.

However, general business indicators point to a slower rate of increase for processing materials and energy costs later this year.

Canning industry officials are also a bit pessimistic about supply prospects for some vegetables this fall, but ERS economists see a reasonably good balance developing between supply and demand for most of the major processed vegetables.

They believe that canners and freezers will generally be able to contract for sufficient acreage to relieve much of the current pressure on supplies.

And so far, processors have apparently been able to make their largest gains where the tonnage is most needed.

Canned acreage up. For example, canned snap bean and sweet corn acreage is receiving more emphasis this year, along with tomatoes. Acreage of vegetables for freezing is expected to decline if March intentions are to be realized.

Here's the outlook for the most popular processed vegetables—the industry's "big four"—tomatoes, sweet corn, green beans, and peas.

Projected acreage changes reflect farmers' plans early in the planting season. Actual acreage figures will not be available until July.

Tomatoes. About half of the total processed vegetable tonnage consists of tomatoes, and roughly 75 percent are produced in California alone.

Growers' intentions indicate an 18-percent gain in planted acreage in California and a 17-percent gain overall. This should more than make up for the small supply of tomato products now on hand, and in fact, some tomato products may be oversupplied this fall.

Processors' enthusiasm for contracting more tomatoes this season stems from substantially higher

(Continued on page 13)

Custom harvest on the Great Plains

Breaking some new ground, ERS has surveyed interstate custom harvest crews in the Great Plains. This, the first of two reports, goes into the scope of operations.

Each spring, some 3,500 harvest crews take to the road in the Great Plains on a route that will take some of them from Texas to North Dakota following ripening grain.

These interstate custom harvesters—colorful enough to make a memorable National Geographic article—are the subject of a new survey by ERS delving—to a great extent for the first time—into how many interstate custom harvest operators there are in the Great Plains, where they're from, how much acreage they harvest, how many people they employ, and what equipment they use.

The survey showed 3,431 U.S. crews—operating 7,557 combines—crossed State lines to custom harvest small grain in the Great Plains during the survey year, 1971.

These crews harvested 14 million acres of crops, mostly wheat. They harvested more than a third of the wheat acreage that year in the Great Plains, more than a million acres of grain sorghum, 175,000 acres of soybeans, and 750,000 acres of other crops.

In total, nearly 16,500 workers were employed in these crews. On the average, they harvested 862 acres per worker.

The dominants. Regionally, operators from Kansas and Oklahoma dominated the harvest scene. These two States accounted for 60 percent of the crews, combines, and acreage harvested.

Next came operators from Nebraska, Colorado, and South Dakota, each harvesting somewhere between a half million and a million acres of crops.

Of all the Plains States, Wyoming had the smallest custom combine force—8 crews harvesting 55,000 acres.

Kansas, with its large wheat acreage, is the great gathering ground for custom combines. Nine out of 10 crews in the survey worked there during 1971.

Operators from 5 States—North Dakota, South Dakota, Montana, Nebraska, and Colorado—harvested nearly as much acreage in Kansas as they did in their own States.

Operators from Oklahoma were the most dependent on work outside their State. They harvested more than 3 million acres outside of Oklahoma—and fewer than 850,000 acres in their home State.

Most of the more than 7,500 combines had 20-foot header bars—about 3 out of 5. The next most common size was with the 18-foot header bar. Together, these two sizes accounted for about 4 out of 5 of the combines.

Supporting this fleet of combines were 12,200 trucks—mainly grain trucks—and 2,100 service trailers. A good many operators hauled headers by angling them on grain trucks.

Motels on wheels. In addition, a number of campers, buses, and house trailers accompanied the crews. Most of the housing vehicles slept 5 or more people. Only about 10 percent were for 1 or 2 people.

It appeared from the study that outfits with 4 or 5 combines were the optimum size if one measures by acres harvested per combine—2,000 acres per year.

The simple logistics of locating jobs and moving crews appears to hamper the large outfits. This showed up in the fact that large out-

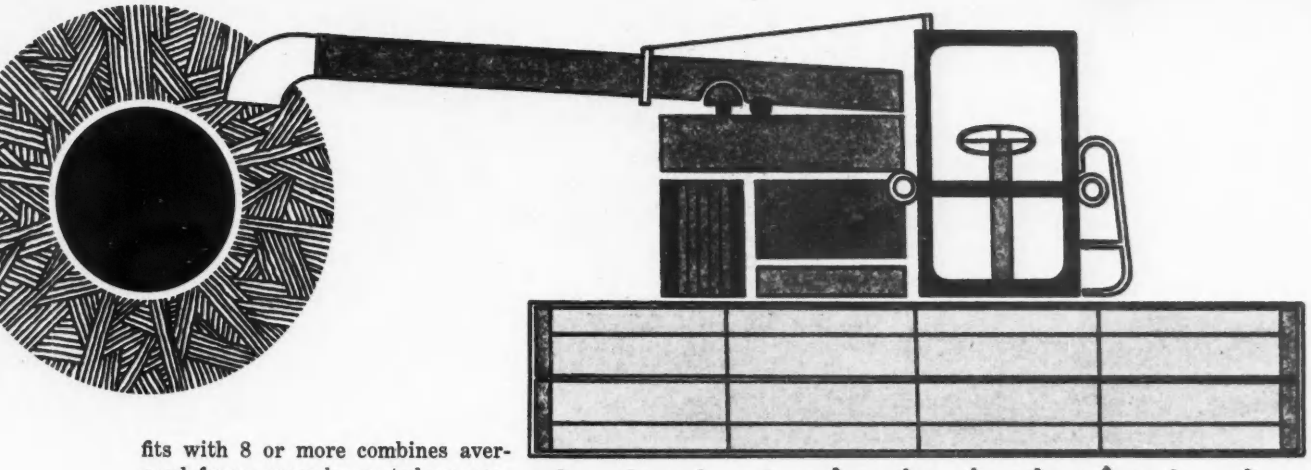
Canadian Crews

A shortage of labor and equipment at harvesttime . . . that's what started an across-the-border exchange between the United States and Canada back in World War II.

That agreement's still in effect, and ERS found in its survey of custom harvesting in the Great Plains that Canadian crews harvested about 435,000 acres of wheat in 1971, or a little more than 1 percent of the crop there.

About 32 U.S. custom harvest crews at the same time crossed the border into Canada, taking 86 combines, and harvesting 40,600 acres of grain.

Meanwhile, at home, intrastate custom harvest crews—such as the farmer who cuts his neighbor's crops—harvested more than twice as much wheat acreage in the Great Plains as did Canadian crews.



fits with 8 or more combines averaged fewer acres harvested per machine—about 1,500—than any other size outfit.

As to the length of the custom harvester's season, the survey found the average span to be 114 days. This varied by size of operation from 89 days for crews with one combine to 178 days for crews with 6 combines.

About a third of the operators started their season during May, with the rest beginning later. About 45 percent continued operations after November 1, indicating that sorghum and corn were harvested.

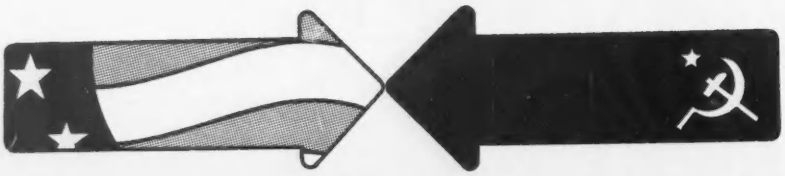
Mostly a mix. While family operations are usually considered the most common type of custom harvesting, the survey found that most operations—more than 2 out of 3—were a mixture of both family and hired workers.

Of the remainder, 17 percent had only hired labor and 16 percent had only family labor. In general, larger operations were less likely to have as many family members as the smaller operations.

Family-only outfits averaged a harvest of only 1,558 acres per combine—considerably less than the 1,892-acre average of combines for mixed crews and the 1,999 acres per combine for all-hired crews.

[Based on manuscript entitled Interstate Custom Combining in the Great Plains—1971 by William F. Lagrone, Commodity Economics Division, and Earle E. Gavett, National Economic Analysis Division.]

U.S./U.S.S.R. AG ECON EXCHANGE... ROUND TWO



In May the U.S.-U.S.S.R. Joint Working Group on Agricultural Economic Research and Information met for the second time. Here's what was accomplished.

The U.S. would like to get more data on Soviet agriculture and trade, particularly, forward estimates.

The U.S.S.R. would like to learn more about U.S. agribusiness, particularly, integrated operations.

The two countries made known these desires in Moscow last November at the first meeting of the U.S.-U.S.S.R. Joint Working Group on Agricultural Economic Research and Information.

In May the group met for a second time. The meeting place had changed—to Washington, D.C.—but the primary interests of the two sides had not.

Broader exchange. The U.S. delegates emphasized their continuing interest in broadening the information exchange to include forward estimates on production, consumption, demand, and trade in major agricultural commodities.

And the Soviet members stressed the exchange of information about cooperatives and the agribusiness firms involved in production, proc-

Signatures and a handshake closed the 5-day meeting of the U.S.-U.S.S.R. Joint Working Group on Agricultural Economic Research and Information. Heading up the U.S. delegation (seated at left) was Richard E. Bell, Deputy Assistant Secretary of Agriculture for International Affairs and Commodity Programs. To his left, the Soviet chairman, Georgiy P. Rudenko, Deputy Chief of Agricultural Section, U.S.S.R. State Planning Committee. Standing, left to right: David L. Hume, Administrator of USDA's Foreign Agricultural Service; Alexander A. Konygin, Agricultural Counselor of the Embassy of the U.S.S.R.; and Vladimir Sheremetev, Attache, also of the Soviet Embassy.

essing, and marketing of fruits and vegetables, broilers, beef, dairy products, wheat, and other agricultural products.

Following the Washington meeting, the Soviets picked up some of the information they wanted when they visited beef, pork, poultry, and dairy operations in six States.

Travel plans. But for a more comprehensive picture, the Russians are proposing to send seven different teams of scientists and specialists to the U.S. during the next year and a half for a first-hand inspection of some of our larger agribusiness firms and integrated farming operations. The teams will also study U.S. forecasting techniques and economic models.

Integrated agricultural enterprises, where the successive stages of production and marketing are coordinated, are just beginning to catch on in the Soviet Union. Officials there are promoting the idea in order to make their agriculture more efficient. Integrated projects now underway take the form of associations of agricultural concerns, including state and collective farms, feedlots, feed mills, and processing plants. Most of the associations deal in livestock products and fruits and vegetables.

While the Soviets are taking a hard look at U.S. agribusiness, nine teams of U.S. specialists plan to visit the U.S.S.R. in the coming year. Among other things, they'll be studying Soviet methods of data collection and analysis . . . the status of crops and livestock, and technological changes since the late 1950's . . . feed and vegetable protein utilization . . . and wheat processing and marketing.

"A first." The working group that gathered in Washington is part of a larger Joint Committee on Cooperation in the Field of Agriculture that was set up in June 1973. Although the U.S. and U.S.S.R. have long had a cooperative exchange program of scientific research in agriculture, this marks the first formal exchange of agricultural economic information. *(Continued on page 12)*

WHO WANTS WHAT

Meeting in Washington, D.C. last month, the U.S. and Soviet delegates to the second meeting of the working group on agricultural economic research submitted for the minutes a list of additional data they would like to get from the other country at some future time. "These lists," the minutes said, "will be taken under consideration by the two sides. The two chairmen will arrange, if possible, for the exchange of this information . . ."

U.S. REQUESTED:

Fertilizer use by major crop and by economic region, total and individual nutrients—annual (data for preceding 10 years).

Grain marketings, by type of grain, in both standard accounting weight and physical weight received —annual (data for preceding 10 years).

Use of grain for food, by type of grain, and average extraction rates from whole to milled grain, July–June consumption year if available; otherwise, calendar year—annual (data for preceding 10 years).

Area and production of cotton by varieties, grouped by upland (medium staple) and Egyptian (long staple) type varieties—annual (data for preceding 10 years).

Area and production of tobacco by major types (oriental, markhorka, other)—annual (data for preceding 10 years).

Production of oilmeal, by type—annual (data for preceding 10 years).

Production of fish meal—annual (data for preceding 10 years).

Per capita consumption by type of meat (beef, pork, mutton, poultry) and dairy products (butter, cheese, other)—annual (data for preceding 10 years).

Forward estimates on production of total grain, wheat, and sunflower seeds (monthly, beginning in July).

Monthly quantity data on foreign trade for the following commodities: a) grain by type, b) cotton, c) sunflower seed oil, d) sunflower seed, e) sugar.

U.S.S.R. REQUESTED:

Materials of the 1969 agricultural census. All general issues including those not yet published.

Size of fixed production capital in agriculture, not including value of land, but including perennial tree crops and reclamation installations, according to net value minus depreciation and net value plus depreciation.

Level of production mechanization of various labor processes in plant production and animal husbandry.

Production cost of various types of agricultural products, including all forms of expenditures.

Volume of gross agricultural production, taking feeds, straw, seeds, etc. into consideration (according to value and according to adjusted prices).

Overall power of all types of engines in agriculture.

Area of fruit and berry plantings, including those in fruit-producing stage.

The number of agribusiness and interdisciplinary enterprises of various types.

Electric power utilization in agricultural production.

Volume of capital investment in agriculture—farmers, Department of Agriculture, Department of Interior, and other agencies and companies providing services to agriculture, with a breakdown of the use of the funds.

Specifically, the agreement calls for meetings—at least twice a year—to discuss agricultural production, consumption, and trade estimates; methods of forecasting crop and livestock production; and other work aimed at improving the knowledge of agricultural economics between the two countries.

At the November meeting in Moscow, the Soviets agreed to provide us regularly with historical data on farm production, harvested area and yields of crops, livestock numbers and product output, feed use, and output of certain processed foods. The first installment of this historical data has been received.

Important figures. This information will be used in part to assemble more detailed assessments of trends in world agriculture. Figures on U.S.S.R. production and trade in grains are especially important, since the country is not only one of the world's largest producers but its production fluctuates widely.

At the May meeting, the delegates held bilateral consultations on the supply and demand situations for the principal agricultural commodities. They also held a workshop on methods of collecting and estimating production.

As to the data we may expect in the near future on U.S.S.R. agriculture, the Soviets suggested they could probably provide certain figures before they are published; for example, on grain marketings, and consumption of grains, meat, and dairy products.

New data. They also said they would try to deliver some data that are not now being published, such as the use of fertilizer by crops, and other farm inputs. Headway was also made in getting certain advance copies of trade statistics. On the question of forward estimates on production, consumption, and trade, however, the Soviets asserted they do not as yet have a reporting system to generate this kind of information.

[Based on special material from David M. Schoonover, Foreign Demand and Competition Division.]

Men and Milestones

Paris, France, March 29, 1938—Georges Monnet, Minister of Agriculture, announces that **Oliver Edwin Baker,** *economist in the U.S. Department of Agriculture, has been honored by the Government of France as Officer of Agricultural Merit.*

Born in Tiffin, Ohio, in 1883, O. E. Baker received his A.B. degree at Heidelberg College in his home town, an M.A. degree at Columbia University, and a Ph.D. from the University of Wisconsin. He began his 30-year career in USDA in 1912.

The use of dot maps in publications that he edited or wrote, such as the Atlases of American and World Agriculture, set an example for others to follow. Recognized as an authority on world problems, he wrote of his concern in two especially timely items—the 1928 *Population, Food Supply and American Agriculture* and the 1932 *Agricultural Migration and the National Welfare.*

He saw the importance of relocating industrial establishments in rural towns, and was an advocate of "rurban" living—a combination of city employment with a degree of self-sufficiency provided by part-time farming. "Farms" he said, "are like islands in a troubled sea."

He edited three *Yearbooks of Agriculture* and contributed to others, was on USDA and international committees and conferences, and was an active participant and officer in professional organizations.

After his retirement in 1942 he devoted full time to university work. He had previously taught at Clark University, American University, and the University of Maryland. At Maryland, after 1942, he developed and headed a program of undergraduate and graduate studies in geography.

When he died in 1949, Baker was recognized as a world authority on the relationship between land and people.

[Special material by Vivian D. Wiser, Agricultural History Group.]

(Continued from page 7)

wholesale prices and the depleted stocks of most canned items.

California growers' prices have been ranging from $55 to $60 per ton—up from an average of $41 per ton last year.

Sweet corn. Because of the very short supply of canned sweet corn—March 1 stocks were the lowest for that date since 1968—growers are expected to expand canning acreage by 6 percent.

Hopefully about a tenth more raw tonnage will be produced than in 1973, easing the tight supply situation despite the prospect of very small carryover stocks.

Supplies of frozen sweet corn have been more than adequate, so the intended freezing acreage is down this year. Even though supplies have been readily available, wholesale prices for frozen corn have held steady since last fall.

Snap beans. Record disappearance of canned snap beans has prompted contracts for 9 percent more acreage this season. Bean acreage has shot up in recent years because of strong consumer interest in this low-calorie vegetable.

If this year's bean yields conform to those of the past few years, a 6-percent larger crop will be produced for canning.

Frozen snap bean stocks are the largest on hand since 1969, so less acreage has been scheduled for freezing. No further price rise is expected for frozen snap beans before the new pack comes to market.

Green peas. Stocks of canned peas are extremely tight, with no spot supplies available and packers prorating previous orders. Although growers expect to increase their plantings by a tenth this season, opening prices for the new crop are likely to be sharply higher.

Steep contract prices are a major factor behind the projected price hikes. Oregon farmers, for example, have negotiated contracts with quality differentials ranging from $160 to $230 per ton—up from an average of $119 per ton last year.

With canned peas so short, frozen peas moved rapidly through marketing channels in the past year, leaving a light supply on hand in April.

Early pack opening prices in California were 36 percent higher than last year for a case of 24 10-oz. packages.

Farmers intend to expand their freezing acreage by about 3 percent this season, but ERS economists feel this may not be quite enough to rebuild supplies.

[Based on *Vegetable Situation*, TVS-192, April 1974, and on special material from Charles W. Porter, Commodity Economics Division.]

Sheep Population Shaved Again in 1973

Thousands of farmers raise sheep, enjoy the work, and make money at it. But the ranks of the contented sheep rancher are being closed year by year as evidenced by the steady drop in the Nation's sheep population.

Already the smallest on record, the stock sheep and lamb inventory took another plunge in 1973. Only 13.9 million remained at the beginning of 1974—about a million fewer than a year earlier and down 15 million from 1960 when the present downtrend started.

ERS livestock specialists blame the decline on a long list of problems plaguing the industry, among them predator losses, a shortage of good labor, and up until the last year, low lamb and wool prices. The revival of lamb and wool prices will encourage producers to stay in business, and the rate of liquidation will probably taper from the 6 percent average of the past 10 years.

Even so, the bottom of the slump in sheep numbers is not in sight. Economists estimate that this year's sheep and lamb slaughter would have to drop 15 to 20 percent from the 1973 pace if the inventory is to stabilize. The prospect of that happening is highly unlikely.

[Based on material by John T. Larsen, *Livestock and Meat Situation*, LMS-196, May 1974.]

Livestock Menus Feature Less Grain And More Roughage

Humans aren't the only ones having to "rough it" because of the rising cost of farm products.

ERS reports that the number of animals consuming roughage—grass, hay, etc.—increased by 8 percent in the 1973/74 feed year, bringing the total to 97.1 million units. In contrast, animal units consuming grains dropped 1 percent to 78.2 million.

Of the roughage eaters, "other beef cattle" (excluding dairy cattle and cattle on feed) showed the largest gain, while milk cow numbers continued their long-time downtrend. Other dairy cattle units, however, posted a slight increase.

The grain consuming animal units registered their biggest declines in cattle on feed and in sheep, each with a decrease of 6 percent. Milk cow units fell 3 percent, and hogs and chickens, 1 percent each. "Other beef cattle" rose 8 percent; other dairy cattle, 2 percent; broilers and turkeys, 5 percent; and hens and pullets, 1 percent.

Looking at the regions with grain deficits and surpluses—production versus amount fed—the largest deficit area continues to be the Southern region, followed by the Delta, Pacific, Northeast, Mountain, and Appalachian regions. In the State breakdown, California had the biggest deficit. Next was Arkansas. With few exceptions, those States with large deficits have either a large poultry industry or a large fluid milk market.

The Lake States, Corn Belt, and Northern Plains produced more feed grains than they consumed in 1973/74. Illinois was first, followed by Iowa. Surplus feed grain States generally have the largest hog, cattle feeding, and manufactured milk industries.

[Based on manuscript Livestock-Feed Relationships—National and State, 1952-73, by George C. Allen, Earl F. Hodges, and Margaret Devers, National Economic Analysis Division.]

Recent Publications

Our Land and Water Resources—Current and Prospective Supplies and Uses. Economic Research Service. Misc. Pub. No. 1290.

Prepared to provide background information for land use policy decisions, this report analyzes land and water resources and projects national agricultural cropland and other land needs to the year 2000. The basis for a series of articles in *The Farm Index*, the study goes into the impact changes in technology and resource development will have as well as environmental and institutional factors affecting the availability of natural resources. Emphasis is put on the responsibility of Federal, State, and local governments to assess the adequacy of our natural resources to meet future needs and to improve the quality of the environment.

Research Tasks in World Food Economics. Quentin M. West, Administrator, Economic Research Service.

This paper, presented at the annual meeting of the Industrial Research Institute, Inc., in Boca Raton, Fla., covers six topics—Does the recent world crop shortfall mean that the world is on the path of famine . . . the impact of affluence on world food markets and what can be done to stabilize food stocks . . . will the energy crisis curb production and demand for food . . . what's ahead for American agriculture . . . can U.S. farmers meet future world demand . . . and an agenda for agricultural economics research and development.

Agricultural Finance Statistics. Nan P. Mitchem and Donna Hazelwood, National Economic Analysis Division. AFS–2.

Compiling agricultural finance statistics pertaining to the financing of agriculture in the United States, this report provides information on: farm mortgage credit, nonreal estate credit, loans to cooperatives, deposits of country banks, interest and money rates, Commodity Credit Corporation loans, the farm credit system, taxes, farm real estate values and transfers, fire losses and crop insurance, the balance sheet of the farming sector, and the income statement of agriculture.

Single copies of the publications listed here are available free from The Farm Index, Economic Research Service, Rm. 1459–So., U.S. Department of Agriculture, Washington, D.C. 20250. However, publications indicated by (*) may be obtained only by writing to the experiment station or university. For addresses, see July and December issues of The Farm Index.

Indices of Agricultural Production in Africa and the Near East, 1964–73. Foreign Demand and Competition Division. ERS-Foreign 365.

Through 57 tables, ERS shows production by commodity, value, and indices of total agricultural and food production for countries in Africa and the Near East.

World Monetary Conditions in Relation to Agricultural Trade. O. Halbert Goolsby and Spencer F. England. Economic Research Service. WMC–6. May 1974.

This report discusses the complex interrelationships of oil, money, and food, and the impact of higher oil prices on the balance of payments positions of advanced and developing nations alike. Central to the report is the outlook for U.S. agricultural exports in view of world monetary and trade developments.

California Celery Prices, Costs, and Margins. Reprinted from the *Vegetable Situation*, May 1974. ERS–549.

This reprint delves into the retail value of celery and its marketing margins. It notes that the wholesaler's and retailer's share of the retail value increased slightly between 1964 and 1973 for celery sold in Chicago and New York City and that the share taken by harvesting and packing and selling costs declined slightly. Other market shares, including the grower's share, changed little.

Ornamentals: Production and Marketing Trends, 1948–72. Stephen M. Raleigh, Commodity Economics Division. Stat. Bull. 529.

Drawing data from several sources, this report provides statistics on various production and marketing segments of the ornamentals industries. These industries grew at a faster pace than most other parts of commercial agriculture through 1970 . . . and, as in agriculture generally, they have experienced a trend toward increased sales value of products grown on fewer farms.

Costs, Margins, and Projected Consumption of Turkey Rolls and Roasts. Economic Research Service. MRR–1023.

Output of processed turkey foods could double by 1985, largely because of growing sales of turkey rolls, roasts, and breasts. The projected boom in processed gobblers could account for most of the expansion in the market for turkey meat in the next decade, according to this report. The study also looks into the proliferation of new plants serving the household market and discusses operating costs.

American Long Grain Rice: Sales Impact of a Promotional Program in France. Peter L. Henderson, National Economic Analysis Division. MRR–1022.

ERS studied the results of a campaign to expand the French market for American rice as part of a research program to develop advertising and sales promotion techniques for agricultural products. In this case, researchers concluded that while the media used reached target audiences and French rice consumption rose appreciably, improvements in creativity and media strategy were called for.

Economic Trends

Item	Unit or Base Period	1967	1973 Year	1973 Mar.	1974 Jan.	1974 Feb.	1974 Mar.
Prices:							
Prices received by farmers	1967=100	—	172	159	198	202	194
Crops	1967=100	—	164	138	208	220	216
Livestock and products	1967=100	—	179	174	193	190	179
Prices paid, interest, taxes and wage rates	1967=100	—	145	138	157	159	161
Family living items	1967=100	—	138	133	149	153	155
Production items	1967=100	—	146	138	161	161	162
Ratio [1]	1967=100	—	119	115	126	127	120
Wholesale prices, all commodities	1967=100	—	134.7	129.8	146.6	149.5	151.4
Industrial commodities	1967=100	—	125.9	122.8	135.3	138.2	142.4
Farm products	1967=100	—	176.3	160.9	202.6	205.6	197.0
Processed foods and feeds	1967=100	—	148.1	141.4	162.1	164.7	163.0
Consumer price index, all items	1967=100	—	133.1	129.8	139.7	141.5	143.1
Food	1967=100	—	141.4	134.5	153.7	157.6	159.1
Farm Food Market Basket: [2]							
Retail cost	1967=100	—	142.3	134.9	155.5	160.3	161.7
Farm value	1967=100	—	167.0	157.9	184.6	189.8	181.5
Farm-retail spread	1967=100	—	126.6	120.3	137.0	141.6	149.1
Farmers' share of retail cost	Percent	—	46	45	46	46	44
Farm Income: [3]							
Volume of farm marketings	1967=100	—	110	85	135	89	87
Cash receipts from farm marketings	Million dollars	42,693	83,449	5,241	9,276	6,437	5,900
Crops	Million dollars	18,434	38,172	1,505	5,050	2,772	2,200
Livestock and products	Million dollars	24,259	45,277	3,736	4,226	3,665	3,700
Realized gross income [4]	Billion dollars	49.0	90.5	79.8	—	—	108.2
Farm production expenses [4]	Billion dollars	34.8	64.4	55.8	—	—	80.0
Realized net income [4]	Billion dollars	14.2	26.1	24.0	—	—	28.2
Agricultural Trade:							
Agricultural exports	Million dollars	—	9,404	1,411	1,839	1,918	2,106
Agricultural imports	Million dollars	—	6,459	659	787	819	984
Land Values:							
Average value per acre	Dollars	[6] 168	[7] 247	—	—	—	[8] 310
Total value of farm real estate	Billion dollars	[6] 181.9	[7] 259.5	—	—	—	[8] 324.0
Gross National Product: [4]	Billion dollars	793.9	1,289.1	1,242.5	—	—	1,352.2
Consumption	Billion dollars	492.1	804.0	779.4	—	—	844.6
Investment	Billion dollars	116.6	202.1	194.5	—	—	198.9
Government expenditures	Billion dollars	180.1	277.1	268.6	—	—	297.8
Net exports	Billion dollars	5.2	5.8	0.0	—	—	10.9
Income and Spending: [5]							
Personal income, annual rate	Billion dollars	629.3	1,035.4	1,003.3	1,087.0	1,094.8	1,101.4
Total retail sales, monthly rate	Million dollars	26,151	41,943	41,979	42,932	43,134	43,872
Retail sales of food group, monthly rate	Million dollars	5,759	8,811	8,431	9,551	9,634	9,594
Employment and Wages: [5]							
Total civilian employment	Millions	74.4	[9] 84.4	[9] 83.8	[9] 85.8	[9] 85.8	[9] 85.9
Agricultural	Millions	3.8	[9] 3.5	[9] 3.5	[9] 3.8	[9] 3.9	[9] 3.7
Rate of unemployment	Percent	3.8	4.9	5.0	5.2	5.2	5.1
Workweek in manufacturing	Hours	40.6	40.7	40.9	40.3	40.5	40.4
Hourly earnings in manufacturing, unadjusted	Dollars	2.83	4.07	3.98	4.21	4.21	4.24
Industrial Production: [5]	1967 = 100	—	126	124	125	125	124
Manufacturers' Shipments and Inventories: [5]							
Total shipments, monthly rate	Million dollars	46,449	72,193	69,719	77,187	77,879	78,288
Total inventories, book value end of month	Million dollars	84,655	120,870	110,174	122,570	124,831	126,500
Total new orders, monthly rate	Million dollars	46,763	74,636	72,806	79,077	80,017	79,634

[1] Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. [2] Average annual quantities of farm food products purchased by urban wage earner and clerical worker households (including those of single workers living alone) in 1959–61—estimated monthly. [3] Annual and quarterly data are on 50-State basis. [4] Annual rates seasonally adjusted first quarter. [5] Seasonally adjusted. [6] As of March 1, 1967. [7] As of March 1, 1973. [8] As of March 1, 1974. [9] Beginning January 1972 data not strictly comparable with prior data because of adjustment to 1970 Census data.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).

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